19 April 2007

Telegraaf Media Groep: Annual General Meeting of Shareholders

In 2006, a net profit was achieved of € 49.6 million. The net profit in 2005 totalled € 65.4 million.

In comparison to 2005, the revenue increased by € 47.8 million to € 784.5 million in 2006. The operating result decreased from € 53.2 million in 2005 to minus € 16.8 million in 2006. However, after adjustments for exceptional items and amortisation, the operating result rose from € 39.2 million in 2005 to € 50.0 million in 2006. This figure was influenced by a slight increase of the advertising revenues, cost savings and changes to the composition of the portfolio.

The increase in adjusted operating result is regarded by the Executive Board as “encouraging and hopeful, but an operating result of around 6% of turnover is still far too low. The fact that in 2006 TMG scarcely profited from the improved economic growth emphasises how important it is that the initiated policy must be continued more intensely and more quickly.”

Policy focus
TMG´s policy is based on the key factors of saving costs, investing in existing print products and brands, making use of internal cooperation opportunities (synergy), achieving portfolio spread by investing in multimedia and non-print products and using our experience and knowledge outside the Netherlands. In 2006, significant gains were achieved with respect to all of these items.

The Group’s objective is to achieve an average net return on its shareholders´ equity of at least 12% (2006: 9%) via the exploitation of media products. The general objective for the Dutch activities is to achieve a market share of 15% of the total advertising expenditure in the Netherlands in 2009 (the share in 2005 was 12% including proportional advertising income of the associates Wegener and SBS). Print activities and digital activities must achieve an ROS (Return On Sales; EBITA/Sales) of 15% and 30% respectively. In 2009, TMG wants to realise around 10% of its turnover from activities abroad.

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Latest news

The Executive Board has indicated 'that the objectives are ambitious but feasible given the market position, brands, resources and people at TMG.' The objectives will be realised by a lower level of costs (effects of previous restructuring, central purchasing, outsourcing), further process optimisation, additional cost reductions, maximising synergy, print initiatives, autonomous growth plus acquisitions relating to digital media and an organisational change in the Dutch organisation. The latter process has already been started under the name Focus, with print activities and digital activities being separated and bundled together at the same time. As part of this process, the following project appointments have been made: Rob Eijkelenkamp – Managing Director, Frank Volmer – Print Director and Marianne Zwagerman – Digital Director.

The possibilities indicated for the appropriation of the revenue as a result of the sale of the Wegener shares were (on an and/or basis): paying off debts, acquisitions, SBS, own share buybacks, and dividend distributions.

Clarity regarding TMG´s interest in SBS Broadcasting S.à.r.l. is expected this summer.

The dividend proposal of € 0.50 per depositary receipt for shares was approved by the shareholders.

Outlook

TMG is optimistic about its current and future position in the changing media world.

Influences on the development of TMG's result in 2007 include the development of the advertising and Internet revenues, the effect of the changed portfolio composition, the effects of restructuring measures and outsourcing, the centralisation of purchasing, the sale of the association in Wegener, start-up losses relating to new projects, substantially higher amortisation expenses, regular investments of around €25 million and disinvestments of around € 14 million (property and outsourcing activities). The Executive Board considers it too early to make any firm statements about the result in 2007. However, the expectation is that TMG will achieve a better pre-amortisation operating result than in 2006. A comparison between the 1st quarter of 2007 and the first 12 weeks of 2006 clearly reveals a higher turnover and a significantly higher normalised EBITA result (excluding the book profit on the sales of Wegener shares).

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